

State of Nebraska

**REQUIRED SUPPLEMENTARY INFORMATION  
INFORMATION ABOUT INFRASTRUCTURE ASSETS  
REPORTED USING THE MODIFIED APPROACH**

For the Year Ended June 30, 2002

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

**Measurement Scale**

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include, cracking, patching, roughness, rutting, and faulting.

**Established Condition Level**

It is the policy of the Nebraska Department of Roads to maintain at least an overall system rating of 72 percent or above.

**Assessed Condition**

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

| <u>Calendar Year</u>  | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Very Good             | 48%         | 50%         | 51%         | 47%         | 50%         |
| Good                  | 36%         | 35%         | 35%         | 33%         | 26%         |
| Fair                  | 13%         | 13%         | 12%         | 18%         | 20%         |
| Poor                  | 3%          | 2%          | 2%          | 2%          | 4%          |
| Overall System Rating | 84.0%       | 84.0%       | 83.6%       | 82.7%       | 81.9%       |

**Estimated and Actual Costs to Maintain**

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal year (amounts in millions). The actual cost of system preservation will be greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 84 actual).

| <u>Fiscal Year</u> | <u>2003</u> | <u>2002</u> |
|--------------------|-------------|-------------|
| Estimated          | \$ 174      | \$ 169      |
| Actual             |             | 194         |
| Difference         |             | 25          |